

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **VILLAGE OF NORTH BRANCH**

Lapeer County, Michigan

## **FINANCIAL STATEMENTS**

February 28, 2006

# VILLAGE OF NORTH BRANCH

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**BERTHIAUME  
& COMPANY**

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## **INDEPENDENT AUDITORS' REPORT**

To the Village Council  
Village of North Branch, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of North Branch, Michigan as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of North Branch's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of North Branch as of February 28, 2006, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of North Branch's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Berthiaume & Co.*

April 27, 2006

## ***BASIC FINANCIAL STATEMENTS***

# VILLAGE OF NORTH BRANCH

## STATEMENT OF NET ASSETS

February 28, 2006

	<i>Primary Government</i>			<i>Component Unit - DDA</i>
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 755,996	\$ 804,456	\$ 1,560,452	\$ 157,210
Receivables	102,701	69,721	172,422	30,638
Internal balances	(12,145)	12,145	-	-
Restricted cash and cash equivalents	-	29,683	29,683	-
Capital assets:				
Nondepreciable capital assets	68,320	68,783	137,103	17,500
Depreciable capital assets, net	508,947	2,404,646	2,913,593	-
Land held for development - Industrial Park	-	434,973	434,973	-
Total assets	<u>1,423,819</u>	<u>3,824,407</u>	<u>5,248,226</u>	<u>205,348</u>
<b>Liabilities:</b>				
Accounts payable and accrued expenses	-	20,805	20,805	-
Long-term liabilities:				
Due within one year	-	65,000	65,000	-
Due in more than one year	<u>3,492</u>	<u>1,484,592</u>	<u>1,488,084</u>	<u>-</u>
Total liabilities	<u>3,492</u>	<u>1,570,397</u>	<u>1,573,889</u>	<u>-</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	577,267	923,837	1,501,104	17,500
Restricted for:				
Debt service	-	29,683	29,683	-
Streets	492,952	-	492,952	-
Unrestricted	<u>350,108</u>	<u>1,300,490</u>	<u>1,650,598</u>	<u>187,848</u>
Total net assets	<u>\$ 1,420,327</u>	<u>\$ 2,254,010</u>	<u>\$ 3,674,337</u>	<u>\$ 205,348</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

## STATEMENT OF ACTIVITIES

Year Ended February 28, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
	<i>Expenses</i>				
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 109,000	\$ 33,035	\$ 666	\$ -	\$ (75,299)
Public safety	191,911	-	48,199	-	(143,712)
Public works	237,572	51,193	87,170	-	(99,209)
Community and economic development	951	1,095	-	-	144
Recreation and culture	5,114	-	2,281	-	(2,833)
Total governmental activities	<u>544,548</u>	<u>85,323</u>	<u>138,316</u>	<u>-</u>	<u>(320,909)</u>
<i>Business-type activities:</i>					
Sewer	91,242	123,589	-	128,599	160,946
Water	167,975	159,059	-	-	(8,916)
Total business-type activities	<u>259,217</u>	<u>282,648</u>	<u>-</u>	<u>128,599</u>	<u>152,030</u>
Total primary government	<u>\$ 803,765</u>	<u>\$ 367,971</u>	<u>\$ 138,316</u>	<u>\$ 128,599</u>	<u>\$ (168,879)</u>
<b>COMPONENT UNIT:</b>					
Downtown development authority	\$ 16,973	\$ -	\$ -	\$ -	\$ (16,973)
Total component unit	<u>\$ 16,973</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,973)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-</i>		<i>Unit -</i>
	<i>Activities</i>	<i>type</i>	<i>Total</i>	<i>DDA</i>
		<i>Activities</i>		
Changes in net assets				
Net (Expense) Revenue	\$ (320,909)	\$ 152,030	\$ (168,879)	\$ (16,973)
General revenues				
Taxes				
Property taxes, levied for general purpose	171,172	-	171,172	-
Property taxes, levied for municipal streets	67,543	-	67,543	-
Property taxes, captured from Village, North Branch Township, and Lapeer County	-	-	-	97,725
Franchise taxes	7,086	-	7,086	-
Grants and contributions not restricted to specific programs	109,558	-	109,558	-
Unrestricted investment earnings	28,245	31,800	60,045	2,490
Miscellaneous	1,839	-	1,839	-
Transfers	-	51,055	51,055	(51,055)
Total general revenues and transfers	385,443	82,855	468,298	49,160
Change in net assets	64,534	234,885	299,419	32,187
Net assets, beginning of year	1,355,793	2,019,125	3,374,918	173,161
Net assets, end of year	\$ 1,420,327	\$ 2,254,010	\$ 3,674,337	\$ 205,348



# VILLAGE OF NORTH BRANCH

## GOVERNMENTAL FUNDS

### BALANCE SHEET

February 28, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>						
Cash and cash equivalents	\$ 250,353	\$ 208,151	\$ 77,338	\$ 191,566	\$ 28,588	\$ 755,996
Taxes receivable	6,541	-	-	2,466	-	9,007
Accounts receivable	32,509	-	-	-	14,361	46,870
Due from other governmental units	33,393	10,062	3,369	-	-	46,824
Due from other funds	22,215	-	-	310	-	22,525
Total assets	<u>\$ 345,011</u>	<u>\$ 218,213</u>	<u>\$ 80,707</u>	<u>\$ 194,342</u>	<u>\$ 42,949</u>	<u>\$ 881,222</u>
<b>Liabilities and Fund Balances:</b>						
<b>Liabilities:</b>						
Due to other funds	\$ 30,000	\$ 155	\$ 155	\$ -	\$ 4,360	\$ 34,670
Total liabilities	<u>30,000</u>	<u>155</u>	<u>155</u>	<u>-</u>	<u>4,360</u>	<u>34,670</u>
<b>Fund balances:</b>						
Unreserved:						
General fund	315,011	-	-	-	-	315,011
Special revenue funds	-	218,058	80,552	194,342	38,589	531,541
Total fund balances	<u>315,011</u>	<u>218,058</u>	<u>80,552</u>	<u>194,342</u>	<u>38,589</u>	<u>846,552</u>
Total liabilities and fund balances	<u>\$ 345,011</u>	<u>\$ 218,213</u>	<u>\$ 80,707</u>	<u>\$ 194,342</u>	<u>\$ 42,949</u>	<u>\$ 881,222</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

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## RECONCILIATION OF FUND BALANCES OF THE GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 28, 2006

**Total fund balances for governmental funds** \$ 846,552

Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	947,945	
Less accumulated depreciation	<u>(370,678)</u>	577,267

Long-term liabilities are not due and payable in the current year and  
therefore are not reported in the governmental funds:

Compensated absences payable	<u>(3,492)</u>
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**Net assets of governmental activities** \$ 1,420,327

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	<i>General Fund</i>	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Municipal Street Fund</i>	<i>Nonmajor Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>						
Property taxes	\$ 171,172	\$ -	\$ -	\$ 67,543	\$ -	\$ 238,715
Licenses and permits	7,156	-	-	-	-	7,156
State grants	119,902	64,831	22,339	-	-	207,072
Contributions from other units	37,855	-	-	-	-	37,855
Charges from services	70,865	-	-	-	51,193	122,058
Fines and forfeits	2,003	-	-	-	-	2,003
Interest and rents	10,880	6,918	2,767	6,748	932	28,245
Other revenue	9,349	-	-	-	2,281	11,630
Total revenues	<u>429,182</u>	<u>71,749</u>	<u>25,106</u>	<u>74,291</u>	<u>54,406</u>	<u>654,734</u>
<b>Expenditures</b>						
Current						
General government	107,028	-	-	-	-	107,028
Public safety	172,170	-	-	-	-	172,170
Public works	106,360	33,343	13,625	25,642	56,648	235,618
Community and economic development	951	-	-	-	-	951
Recreation and culture	2,185	-	-	-	1,529	3,714
Other	23,710	-	-	-	-	23,710
Capital outlay	<u>8,841</u>	<u>5,001</u>	<u>39,974</u>	<u>-</u>	<u>1,105</u>	<u>54,921</u>
Total expenditures	<u>421,245</u>	<u>38,344</u>	<u>53,599</u>	<u>25,642</u>	<u>59,282</u>	<u>598,112</u>
Excess (deficiency) of revenues over expenditures	<u>7,937</u>	<u>33,405</u>	<u>(28,493)</u>	<u>48,649</u>	<u>(4,876)</u>	<u>56,622</u>
<b>Other financing sources (uses)</b>						
Transfers in	-	-	16,788	-	211	16,999
Transfers out	<u>(211)</u>	<u>-</u>	<u>-</u>	<u>(16,788)</u>	<u>-</u>	<u>(16,999)</u>
Total other financing sources (uses)	<u>(211)</u>	<u>-</u>	<u>16,788</u>	<u>(16,788)</u>	<u>211</u>	<u>-</u>
Net change in fund balances	7,726	33,405	(11,705)	31,861	(4,665)	56,622
Fund balances, beginning of year	<u>307,285</u>	<u>184,653</u>	<u>92,257</u>	<u>162,481</u>	<u>43,254</u>	<u>789,930</u>
Fund balances, end of year	<u>\$ 315,011</u>	<u>\$ 218,058</u>	<u>\$ 80,552</u>	<u>\$ 194,342</u>	<u>\$ 38,589</u>	<u>\$ 846,552</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended February 28, 2006

**Net change in fund balances - total governmental funds** \$ 56,622

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	51,745	
Less depreciation expense	<u>(43,107)</u>	8,638

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in compensated absences payable	<u>(726)</u>
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**Change in net assets of governmental activities** \$ 64,534

*The accompanying notes are an integral part of these financial statements.*

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS

### STATEMENT OF NET ASSETS

February 28, 2006

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Assets:</b>			
<b><i>Current assets:</i></b>			
Cash and cash equivalents	\$ 112,539	\$ 691,917	\$ 804,456
Accounts receivable	29,915	39,806	69,721
Due from other funds	-	30,000	30,000
Total current assets	<u>142,454</u>	<u>761,723</u>	<u>904,177</u>
<b><i>Noncurrent assets:</i></b>			
Restricted cash and cash equivalents	-	29,683	29,683
Capital assets:			
Nondepreciable capital assets	7,200	61,583	68,783
Depreciable capital assets, net	461,756	1,942,890	2,404,646
Land held for development - Industrial Park	-	434,973	434,973
Total noncurrent assets	<u>468,956</u>	<u>2,469,129</u>	<u>2,938,085</u>
Total assets	<u>611,410</u>	<u>3,230,852</u>	<u>3,842,262</u>
<b>Liabilities:</b>			
<b><i>Current liabilities:</i></b>			
Due to other funds	-	17,855	17,855
Accrued interest payable	-	20,805	20,805
Current portion of long-term debt	-	65,000	65,000
Total current liabilities	<u>-</u>	<u>103,660</u>	<u>103,660</u>
<b><i>Noncurrent liabilities:</i></b>			
Long-term debt	-	1,484,592	1,484,592
Total noncurrent liabilities	<u>-</u>	<u>1,484,592</u>	<u>1,484,592</u>
Total liabilities	<u>-</u>	<u>1,588,252</u>	<u>1,588,252</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	468,956	454,881	923,837
Restricted for:			
Debt service	-	29,683	29,683
Unrestricted	<u>142,454</u>	<u>1,158,036</u>	<u>1,300,490</u>
Total net assets	<u>\$ 611,410</u>	<u>\$ 1,642,600</u>	<u>\$ 2,254,010</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 28, 2006

	<i>Business-type Activities</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Operating revenues:</b>			
Charges for services	\$ 108,703	\$ 149,345	\$ 258,048
Penalties	1,136	4,214	5,350
Other	13,750	5,500	19,250
Total operating revenues	123,589	159,059	282,648
<b>Operating expenses:</b>			
Personnel	26,822	20,507	47,329
Fringe benefits	9,328	7,344	16,672
Supplies	7,982	5,789	13,771
Contracted services	12,350	3,881	16,231
Administrative expense	4,300	6,200	10,500
Education and training	298	138	436
Insurance	58	649	707
Utilities	1,980	10,461	12,441
Repair and maintenance	14	800	814
Equipment rental	9,186	9,760	18,946
Other services and supplies	123	94	217
Depreciation	18,801	44,748	63,549
Total operating expenses	91,242	110,371	201,613
Operating income (loss)	32,347	48,688	81,035
<b>Non-operating revenues (expenses):</b>			
Federal grant	128,599	-	128,599
Interest income	3,147	28,653	31,800
Interest expense	-	(57,604)	(57,604)
Total non-operating revenues (expenses)	131,746	(28,951)	102,795
Net income (loss) before operating transfers	164,093	19,737	183,830
<b>Operating transfers:</b>			
Transfer from Downtown Development Authority	-	51,055	51,055
Total operating transfers	-	51,055	51,055
Net income (loss)	164,093	70,792	234,885
Net assets, beginning of year	447,317	1,571,808	2,019,125
Net assets, end of year	\$ 611,410	\$ 1,642,600	\$ 2,254,010

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

## PROPRIETARY FUNDS – MAJOR ENTERPRISE FUNDS

### STATEMENT OF CASH FLOWS

Year Ended February 28, 2006

	<i>Major Enterprise Funds</i>		
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total</i>
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 121,601	\$ 163,500	\$ 285,101
Cash received from or payments for interfund services	-	(30,000)	(30,000)
Cash payments to employees	(26,822)	(20,507)	(47,329)
Cash payments to suppliers for goods and services	(45,619)	(45,930)	(91,549)
Net cash provided (used) by operating activities	49,160	67,063	116,223
<b>Cash flows from non-capital financing activities:</b>			
Operating transfers in	-	51,055	51,055
Net cash provided (used) by non-capital financing activities	-	51,055	51,055
<b>Cash flows from capital and related financing activities:</b>			
Federal grant	128,599	-	128,599
Acquisition and construction of capital assets	(157,050)	-	(157,050)
Principal payments	-	(65,000)	(65,000)
Interest paid	-	(57,604)	(57,604)
Net cash provided (used) by capital and related financing activities	(28,451)	(122,604)	(151,055)
<b>Cash flows from investing activities:</b>			
Interest received	3,147	28,653	31,800
Net cash provided (used) by investing activities	3,147	28,653	31,800
Net increase (decrease) in cash and cash equivalents	23,856	24,167	48,023
Cash and cash equivalents, beginning of year	88,683	697,433	786,123
Cash and cash equivalents, end of year	<u>\$ 112,539</u>	<u>\$ 721,600</u>	<u>\$ 834,146</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ 32,347	\$ 48,688	\$ 81,035
Adjustments:			
Depreciation	18,801	44,748	63,549
Changes in assets and liabilities:			
Accounts receivable	(1,988)	4,441	2,453
Due from other funds	-	(30,000)	(30,000)
Accrued interest payable	-	(814)	(814)
Net cash provided (used) by operating activities	<u>\$ 49,160</u>	<u>\$ 67,063</u>	<u>\$ 116,223</u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF NORTH BRANCH

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## *FIDUCIARY FUNDS*

### **STATEMENT OF NET ASSETS**

February 28, 2006

	<u><i>Agency Fund</i></u>
<b>Assets:</b>	
Cash and cash equivalents	<u>\$ 22,691</u>
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 20,330
Due to other governmental units	<u>2,361</u>
Total liabilities	<u>\$ 22,691</u>

*The accompanying notes are an integral part of these financial statements.*



***NOTES TO FINANCIAL STATEMENTS***

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS

February 28, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the Village of North Branch conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

**Discretely Presented Component Units** - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

***Downtown Development Authority*** - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### ***Government-wide Financial Statements:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

### ***Fund Financial Statements:***

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Major Street Fund** is used to account for the maintenance and construction of the Village's major street system.

The **Local Street Fund** is used to account for the maintenance and construction of the Village's local street system.

The **Municipal Street Fund** is used to account for the maintenance and construction of the Village's municipal street system.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### Assets, Liabilities and Equity:

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less to be cash equivalents.

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after March 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Land improvements	15 years
Machinery and equipment	5-30 years
Vehicles	8 years
Distribution systems	25-50 years
Infrastructure	25 years

**Compensated Absences** – It is the Village’s policy to permit employees to accumulate earned but unused sick days once they have attained ten years of service. Employees who terminate employment with the Village and have at least ten years of service will receive a payout of ½ the amount of unused sick days at the time of termination. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only when they have matured or come due for payment – generally when an individual’s employment has terminated as of year end.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

### Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2005 taxable valuation of the Village totaled \$19,302,636, on which ad valorem taxes levied consisted of 10.5869 mills for the Village’s operating purposes and 4.2346 mills for municipal streets.

The delinquent real property taxes of the Village are purchased by Lapeer County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Treasurer submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### **Excess of Expenditures over Appropriations in Budgeted Funds:**

During the year, the Village did not incur expenditures in excess of the amounts budgeted.

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### **NOTE 3: DEPOSITS AND INVESTMENTS**

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year-end, the Village had \$1,779,059 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$350,067 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Village believes that due to the dollar amounts of cash deposits, and the limits of FDIC insurance, it is impractical to insure all deposits.

At year end, the Village had no investments.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

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### NOTE 4: RESTRICTED ASSETS AND BOND RESERVES

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#### Water Fund Reserves:

The Village's ordinances authorizing issuance of the 2002 Water Supply System Revenue Bonds require that specific accounts be established and monies deposited as follows:

*Receiving Account* – All water receipts are initially deposited into this account.

*Operation and Maintenance Account* – Periodic transfers are to be made to cover upcoming administrative, operating, and maintenance expenses.

*Bond and Interest Redemption Account* – Monthly transfers are to be made equal to one sixth (1/6) of the next interest payment due plus one twelfth (1/12) of the next principal payment due.

At February 28, 2006 the Village had these accounts established and had restricted cash as follows:

	<u>Requirements</u>			<u>Funded</u>
	<u>March 1,</u> <u>2005</u>	<u>Deductions</u>	<u>February 28,</u> <u>2006</u>	<u>Restricted</u> <u>Cash</u>
Water Fund:				
Bond and Interest Redemption	\$ 30,151	\$ (468)	\$ 29,683	\$ 29,683

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### NOTE 5: CAPITAL ASSETS

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Governmental activities, Business-type activities and Component unit capital asset activity for the year ended February 28, 2006 was as follows:



# VILLAGE OF NORTH BRANCH

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

	<u>March 1,</u> <u>2005</u>	<u>Additions</u>	<u>Retirements</u>	<u>February 28,</u> <u>2006</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 66,808	\$ -	\$ -	\$ 66,808
Construction in progress	1,512	-	-	1,512
	<u>68,320</u>	<u>-</u>	<u>-</u>	<u>68,320</u>
Depreciable capital assets:				
Buildings and improvements	121,770	-	-	121,770
Machinery and equipment	613,962	6,770	-	620,732
Vehicles	90,737	-	-	90,737
Infrastructure	1,411	44,975	-	46,386
	<u>827,880</u>	<u>51,745</u>	<u>-</u>	<u>879,625</u>
Total capital assets	<u>896,200</u>	<u>51,745</u>	<u>-</u>	<u>947,945</u>
Accumulated depreciation	<u>(327,571)</u>	<u>(43,107)</u>	<u>-</u>	<u>(370,678)</u>
Depreciable capital assets, net	<u>500,309</u>	<u>8,638</u>	<u>-</u>	<u>508,947</u>
Governmental activities, capital assets, net	<u>\$ 568,629</u>	<u>\$ 8,638</u>	<u>\$ -</u>	<u>\$ 577,267</u>
<b>Business-type activities:</b>				
Nondepreciable capital assets:				
Land	\$ 68,783	\$ -	\$ -	\$ 68,783
Depreciable capital assets				
Land improvements	12,753	-	-	12,753
Machinery and equipment	66,607	-	-	66,607
Sewer system	599,337	157,050	-	756,387
Water system	2,196,346	-	-	2,196,346
	<u>2,875,043</u>	<u>157,050</u>	<u>-</u>	<u>3,032,093</u>
Subtotal depreciable capital assets	<u>2,875,043</u>	<u>157,050</u>	<u>-</u>	<u>3,032,093</u>
Accumulated depreciation	<u>(563,899)</u>	<u>(63,549)</u>	<u>-</u>	<u>(627,448)</u>
Depreciable capital assets, net	<u>2,311,144</u>	<u>93,501</u>	<u>-</u>	<u>2,404,645</u>
Business-type activities, capital assets, net	<u>\$ 2,379,927</u>	<u>\$ 93,501</u>	<u>\$ -</u>	<u>\$ 2,473,428</u>
<b>Component unit - DDA:</b>				
Nondepreciable capital assets:				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Depreciation expense was charged to functions as follows:

**Governmental activities:**

General government	\$	1,023
Public safety		7,658
Public works		33,026
Recreation and culture		<u>1,400</u>
Total governmental activities	\$	<u>43,107</u>

**Business-type activities:**

Sewer	\$	18,801
Water		<u>44,748</u>
Total business-type activities	\$	<u>63,549</u>

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### NOTE 6: LAND HELD FOR DEVELOPMENT – INDUSTRIAL PARK

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The account shown in the Water Fund with a balance of \$434,973 represents the Water Fund's balance of costs invested in improvements to a Village Industrial Park. These improvements are not being depreciated because the lots are being held for sale. Future proceeds from the sale of the Industrial Park lots will first be used to reduce this account balance to zero. Future Industrial Park lot sales in excess of the Water Fund's investment in the improvements will be recognized as revenue in the year of the sale.

There were no lot sales for the year ended February 28, 2006.

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### NOTE 7: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

At the end of the current fiscal year, the Village had no deferred revenue.

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### NOTE 8: LONG-TERM LIABILITIES

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The Village may issue bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the Village. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Other long-term liabilities include compensated absences.

# VILLAGE OF NORTH BRANCH

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Long-term liabilities at February 28, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Interest Rates</u>	<u>Annual Principal Installments</u>	<u>Original Issue Amount</u>	<u>Outstanding at Year-End</u>
<b><u>Business-type Activities:</u></b>					
1995 Issue - Lapeer County Water System General Obligation Bonds	11/1/06-11/1/19	5.3-6.1%	\$20,000-50,000	\$ 660,000	\$ 500,000
2002 Issue - Water System Revenue Bonds	10/1/06-10/1/23	2.5%	45,000-74,592	1,144,592	1,049,592

The following is a summary of long-term liabilities transactions for the year ended February 28, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated Absences	\$ 2,766	\$ 803	\$ (77)	\$ 3,492	\$ -
Total governmental activities - long-term liabilities	<u>\$ 2,766</u>	<u>\$ 803</u>	<u>\$ (77)</u>	<u>\$ 3,492</u>	<u>\$ -</u>
<b>Business-type activities:</b>					
General Obligation Bonds:					
1995 Issue	\$ 520,000	\$ -	\$ (20,000)	\$ 500,000	\$ 20,000
Revenue Bonds:					
2002 Issue	<u>1,094,592</u>	<u>-</u>	<u>(45,000)</u>	<u>1,049,592</u>	<u>45,000</u>
Total business-type activities - long-term liabilities	<u>\$ 1,614,592</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 1,549,592</u>	<u>\$ 65,000</u>

Annual debt service requirements to maturity for the above bond obligations are as follows:

<u>Year Ended February 28,</u>	<u>Business-type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 65,000	\$ 55,855	\$ 120,855
2008	70,000	53,669	123,669
2009	70,000	51,195	121,195
2010	75,000	48,682	123,682
2011	80,000	46,006	126,006
2012-2016	470,000	180,302	650,302
2017-2021	505,000	80,387	585,387
2022-2024	<u>214,592</u>	<u>10,842</u>	<u>225,434</u>
	<u>\$ 1,549,592</u>	<u>\$ 526,938</u>	<u>\$ 2,076,530</u>

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

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### NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-type Activities</u></i>
<b>Receivables:</b>		
Taxes	\$ 9,007	\$ -
Accounts	46,870	69,721
Intergovernmental	<u>46,824</u>	<u>-</u>
Total receivables	<u><u>\$ 102,701</u></u>	<u><u>\$ 69,721</u></u>
<b>Accounts payable and accrued expenses:</b>		
Accrued interest payable	<u>\$ -</u>	<u>\$ 20,805</u>
Total accounts payable and accrued expenses	<u><u>\$ -</u></u>	<u><u>\$ 20,805</u></u>

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### NOTE 10: INTERFUND BALANCES AND TRANSFERS

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The composition of interfund receivable and payable balances at February 28, 2006 is as follows:

<i><u>Receivable Fund</u></i>	<i><u>Payable Fund</u></i>	<i><u>Amount</u></i>
General Fund	Garbage Fund	\$ 4,360
General Fund	Water Fund	17,855
Water Fund	General Fund	30,000
Municipal Street Fund	Major Street Fund	155
Municipal Street Fund	Local Street Fund	<u>155</u>
		<u><u>\$ 52,525</u></u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

Interfund transfers reported in the fund statements were as follows:

<u><i>Funds Transferred From</i></u>	<u><i>Funds Transferred To</i></u>	<u><i>Amount</i></u>
Municipal Street Fund	Local Street Fund	\$ 16,788
General Fund	Museum Fund	211
Downtown Development Authority	Water Fund	<u>51,055</u>
	Total	<u>\$ 68,054</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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### NOTE 11: RISK MANAGEMENT

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The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation).

The Village participates in the Michigan Municipal Liability and Property Pool (the "Pool") for workers' compensation and property risk. The Pool is a public entity risk pool providing property and liability coverage to its participating members. The Village pays an annual premium for its insurance coverage. The Pool is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies.

Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in the past three fiscal years.

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### NOTE 12: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### Defined Contribution Pension Plan

The Village has a defined contribution pension plan administered by ICMA Retirement Corporation. All full-time employees as well as the Clerk and Treasurer are covered under the plan. The Village contributes 7% of each covered employee's earnings to the plan. The Village's contribution for the year ended February 28, 2006 was \$17,585, which was entirely paid during the year.

# VILLAGE OF NORTH BRANCH

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 28, 2006

### **Post Employment Benefits:**

The Village currently does not provide post employment benefits.

### **Deferred Compensation Plan:**

The Village offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years.

The Village adopted GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Village has placed all Deferred Compensation Plan assets with a trustee, relinquishing all fiduciary accountability for the assets. Accordingly, the related assets and liabilities of the plan are not reported in the Village's financial statements.

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### **NOTE 13: CONTRACT WITH DDA FOR WATER BOND PAYMENTS**

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The Village and the Village Downtown Development Authority entered into an agreement March 20, 2003 that states that the DDA shall pay to, or reimburse, the Village each year for payments the Village makes to the County on the 1995 Water Revenue Bonds. In accordance with the agreement, for the year ended February 28, 2006, the DDA paid \$51,055 to the Village.

***REQUIRED SUPPLEMENTAL INFORMATION***

# VILLAGE OF NORTH BRANCH

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
Property taxes	\$ 168,674	\$ 167,576	\$ 171,172	\$ 3,596
Licenses and permits	2,600	2,600	7,156	4,556
State grants	111,900	111,900	119,902	8,002
Contributions from other units	36,635	36,635	37,855	1,220
Charges for services	68,835	68,835	70,865	2,030
Fines and forfeits	600	600	2,003	1,403
Interest and rents	3,000	3,000	10,880	7,880
Other revenue	7,000	7,000	9,349	2,349
Total revenues	399,244	398,146	429,182	31,036
<b>Expenditures</b>				
Current				
General government	132,255	132,045	107,028	(25,017)
Public safety	184,905	184,905	172,170	(12,735)
Public works	97,688	106,911	106,360	(551)
Community and economic development	2,870	2,870	951	(1,919)
Recreation and culture	3,150	3,150	2,185	(965)
Other	23,500	23,710	23,710	-
Capital outlay	35,500	35,500	8,841	(26,659)
Total expenditures	479,868	489,091	421,245	(67,846)
Excess (deficiency) of revenues over expenditures	(80,624)	(90,945)	7,937	98,882
<b>Other financing sources (uses)</b>				
Transfers out	-	(211)	(211)	-
Total other financing sources (uses)	-	(211)	(211)	-
Net change in fund balance	(80,624)	(91,156)	7,726	98,882
Fund balance, beginning of year	307,285	307,285	307,285	-
Fund balance, end of year	\$ 226,661	\$ 216,129	\$ 315,011	\$ 98,882



# VILLAGE OF NORTH BRANCH

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## SPECIAL REVENUE FUND – MAJOR STREET FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
State grants	\$ 47,000	\$ 47,000	\$ 64,831	\$ 17,831
Interest and rents	700	700	6,918	6,218
Total revenues	<u>47,700</u>	<u>47,700</u>	<u>71,749</u>	<u>24,049</u>
<b>Expenditures</b>				
Current				
Public works	31,289	33,343	33,343	-
Capital outlay	<u>6,411</u>	<u>5,001</u>	<u>5,001</u>	<u>-</u>
Total expenditures	<u>37,700</u>	<u>38,344</u>	<u>38,344</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>10,000</u>	<u>9,356</u>	<u>33,405</u>	<u>24,049</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(10,000)</u>	<u>(9,356)</u>	<u>-</u>	<u>9,356</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>(9,356)</u>	<u>-</u>	<u>9,356</u>
Net change in fund balance	-	-	33,405	33,405
Fund balance, beginning of year	<u>184,653</u>	<u>184,653</u>	<u>184,653</u>	<u>-</u>
Fund balance, end of year	<u>\$ 184,653</u>	<u>\$ 184,653</u>	<u>\$ 218,058</u>	<u>\$ 33,405</u>

# VILLAGE OF NORTH BRANCH

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## *SPECIAL REVENUE FUND – LOCAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended February 28, 2006

	<b><i>Budgeted Amounts</i></b>			<b><i>Variance with Final Budget</i></b>
	<b><i>Original</i></b>	<b><i>Final</i></b>	<b><i>Actual</i></b>	
<b>Revenues</b>				
State grants	\$ 19,000	\$ 19,000	\$ 22,339	\$ 3,339
Interest and rents	700	700	2,767	2,067
Total revenues	19,700	19,700	25,106	5,406
<b>Expenditures</b>				
Current				
Public works	19,288	13,625	13,625	-
Capital outlay	27,200	39,974	39,974	-
Total expenditures	46,488	53,599	53,599	-
Excess (deficiency) of revenues over expenditures	(26,788)	(33,899)	(28,493)	5,406
<b>Other financing sources</b>				
Transfers in	26,788	26,144	16,788	(9,356)
Total other financing sources	26,788	26,144	16,788	(9,356)
Net change in fund balance	-	(7,755)	(11,705)	(3,950)
Fund balance, beginning of year	92,257	92,257	92,257	-
Fund balance, end of year	<u>\$ 92,257</u>	<u>\$ 84,502</u>	<u>\$ 80,552</u>	<u>\$ (3,950)</u>

# VILLAGE OF NORTH BRANCH

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## *SPECIAL REVENUE FUND – MUNICIPAL STREET FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended February 28, 2006

	<i><b>Budgeted Amounts</b></i>			<i><b>Variance with Final Budget</b></i>
	<i><b>Original</b></i>	<i><b>Final</b></i>	<i><b>Actual</b></i>	
<b>Revenues</b>				
Property taxes	\$ 59,770	\$ 59,332	\$ 67,543	\$ 8,211
Interest and rents	-	-	6,748	6,748
Total revenues	<u>59,770</u>	<u>59,332</u>	<u>74,291</u>	<u>14,959</u>
<b>Expenditures</b>				
Current				
Public works	<u>35,462</u>	<u>38,791</u>	<u>25,642</u>	<u>(13,149)</u>
Total expenditures	<u>35,462</u>	<u>38,791</u>	<u>25,642</u>	<u>(13,149)</u>
Excess (deficiency) of revenues over expenditures	<u>24,308</u>	<u>20,541</u>	<u>48,649</u>	<u>28,108</u>
<b>Other financing sources (uses)</b>				
Transfers out	<u>(16,788)</u>	<u>(16,788)</u>	<u>(16,788)</u>	<u>-</u>
Total other financing sources (uses)	<u>(16,788)</u>	<u>(16,788)</u>	<u>(16,788)</u>	<u>-</u>
Net change in fund balance	7,520	3,753	31,861	28,108
Fund balance, beginning of year	<u>162,481</u>	<u>162,481</u>	<u>162,481</u>	<u>-</u>
Fund balance, end of year	<u>\$ 170,001</u>	<u>\$ 166,234</u>	<u>\$ 194,342</u>	<u>\$ 28,108</u>

***OTHER SUPPLEMENTAL INFORMATION***

# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended February 28, 2006

***Current taxes:***

Property taxes	\$ 170,039
Trailer tax	819
Penalties and interest on taxes	314
	<u>171,172</u>

***Licenses and permits:***

Business licenses and permits	70
CATV franchise fees	7,086
	<u>7,156</u>

***State grants:***

Liquor license fees	963
State revenue sharing - sales tax	109,558
Police grant	9,381
	<u>119,902</u>

***Contribution from other units:***

Reimbursement from school district - Cops in Schools	<u>37,855</u>
	<u>37,855</u>

***Charges for services:***

Zoning/Variance/Appeals fees	1,095
Other	1,388
Charges to other funds	68,382
	<u>70,865</u>

***Fines and forfeitures:***

Other	2,003
	<u>2,003</u>

***Interest and rents:***

Interest	10,880
	<u>10,880</u>

***Other revenue:***

Contributions and donations	666
Reimbursements	6,844
Other	1,839
	<u>9,349</u>

Total revenues	<u><u>\$ 429,182</u></u>
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# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 28, 2006

**Expenditures:**

***General Government:***

*Council:*

Personnel	\$ 6,300
Fringe benefits	704
Contracted services	10,000
Transportation	94
Registration, dues and training	95
Printing and publications	5
Other	1,713
	<u>18,911</u>

*President:*

Personnel	4,759
Fringe benefits	364
	<u>5,123</u>

*Clerk:*

Personnel	31,371
Fringe benefits	4,271
Supplies	1,859
Telephone	2,158
Transportation	198
Registration, dues and training	1,022
Insurance	3
Repairs and maintenance	648
Other	3,406
	<u>44,936</u>

*Audit:*

Contracted services	5,285
	<u>5,285</u>

*Treasurer:*

Personnel	12,084
Fringe benefits	1,650
Supplies	186
Transportation	24
Printing and publications	95
Other	4
	<u>14,043</u>

# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***General Government, continued:***

*Elections:*

Personnel	\$ 332
Fringe benefits	11
Supplies	269
Printing and publications	350
Other	50
	<u>1,012</u>

*Buildings and Grounds:*

Personnel	1,591
Fringe benefits	203
Supplies	340
Contracted services	175
Utilities	4,626
Repairs and maintenance	576
	<u>7,511</u>

*Attorney:*

Contracted services	<u>10,207</u>
	<u>10,207</u>

Total general government	<u>107,028</u>
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***Public Safety:***

*Police:*

Personnel	126,650
Fringe benefits	29,541
Supplies	760
Telephone	2,134
Transportation	3,825
Registration, dues and training	1,009
Insurance	3,033
Repairs and maintenance	3,426
Other	1,152
	<u>171,530</u>

*Building Inspection Department:*

Contracted services	<u>640</u>
	<u>640</u>

Total public safety	<u>172,170</u>
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# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***Public Works:***

*Department of Public Works:*

Personnel	\$ 40,711
Fringe benefits	14,233
Supplies	11,265
Telephone	1,453
Transportation	5,259
Registration, dues and training	195
Insurance	752
Utilities	4,332
Repairs and maintenance	5,205
	<u>83,405</u>

*Street Lighting:*

Utilities	<u>22,955</u>
	<u>22,955</u>

Total public works	<u>106,360</u>
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***Community and Economic Development:***

*Planning:*

Personnel	600
Fringe benefits	60
Supplies	49
Transportation	18
Registration, dues and training	50
Printing and publications	174
	<u>951</u>

Total community and economic development	<u>951</u>
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***Recreation and Culture:***

*Parks and Recreation:*

Personnel	1,676
Fringe benefits	467
Insurance	42
	<u>2,185</u>

Total recreation and culture	<u>2,185</u>
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***Other:***

Insurance	23,710
	<u>23,710</u>

Total other	<u>23,710</u>
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# VILLAGE OF NORTH BRANCH

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## GENERAL FUND

### DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 28, 2006

**Expenditures, continued:**

***Capital Outlay:***

General government	\$ 150
Public safety	8,027
Public works	664
	<u>8,841</u>

Total capital outlay	<u>8,841</u>
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Total expenditures	<u>421,245</u>
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**Other Financing Uses:**

Transfers to other funds	<u>211</u>
	<u>211</u>

Total expenditures and other financing uses	<u><u>\$ 421,456</u></u>
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# VILLAGE OF NORTH BRANCH

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## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING BALANCE SHEET

February 28, 2006

	<i>Special Revenue Funds</i>			<i>Total Nonmajor Governmental Funds</i>
	<i>Garbage Collection Fund</i>	<i>Museum Fund</i>	<i>Drug Forfeiture Fund</i>	
<b>Assets:</b>				
Cash and cash equivalents	\$ 18,331	\$ 10,257	\$ -	\$ 28,588
Accounts receivable	14,361	-	-	14,361
Total assets	<u>\$ 32,692</u>	<u>\$ 10,257</u>	<u>\$ -</u>	<u>\$ 42,949</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Due to other funds	\$ 4,360	\$ -	\$ -	\$ 4,360
Total liabilities	<u>4,360</u>	<u>-</u>	<u>-</u>	<u>4,360</u>
<b>Fund balances:</b>				
Unreserved:				
Special revenue funds	<u>28,332</u>	<u>10,257</u>	<u>-</u>	<u>38,589</u>
Total fund balances	<u>28,332</u>	<u>10,257</u>	<u>-</u>	<u>38,589</u>
Total liabilities and fund balances	<u>\$ 32,692</u>	<u>\$ 10,257</u>	<u>\$ -</u>	<u>\$ 42,949</u>

# VILLAGE OF NORTH BRANCH

## NONMAJOR GOVERNMENTAL FUNDS

### COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 28, 2006

	<i>Special Revenue Funds</i>			<i>Total</i>
	<i>Garbage Collection Fund</i>	<i>Museum Fund</i>	<i>Drug Forfeiture Fund</i>	<i>Nonmajor Governmental Funds</i>
<b>Revenues</b>				
Charges for services	\$ 51,193	\$ -	\$ -	\$ 51,193
Interest and rents	603	325	4	932
Other revenue	-	2,281	-	2,281
Total revenues	<u>51,796</u>	<u>2,606</u>	<u>4</u>	<u>54,406</u>
<b>Expenditures</b>				
Current				
Public works	56,648	-	-	56,648
Recreation and culture	-	1,529	-	1,529
Capital outlay	-	-	1,105	1,105
Total expenditures	<u>56,648</u>	<u>1,529</u>	<u>1,105</u>	<u>59,282</u>
Excess (deficiency) of revenues over expenditures	<u>(4,852)</u>	<u>1,077</u>	<u>(1,101)</u>	<u>(4,876)</u>
<b>Other financing sources:</b>				
Transfers in	-	211	-	211
Total other financing sources	<u>-</u>	<u>211</u>	<u>-</u>	<u>211</u>
Net change in fund balance	(4,852)	1,288	(1,101)	(4,665)
Fund balances, beginning of year	<u>33,184</u>	<u>8,969</u>	<u>1,101</u>	<u>43,254</u>
Fund balances, end of year	<u>\$ 28,332</u>	<u>\$ 10,257</u>	<u>\$ -</u>	<u>\$ 38,589</u>

# VILLAGE OF NORTH BRANCH

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## FIDUCIARY FUNDS – AGENCY FUNDS

### COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended February 28, 2006

	<u>March 1,</u> <u>2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>February 28,</u> <u>2006</u>
<b><u>Payroll Withholding Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 30,631	\$ 375,158	\$ 383,098	\$ 22,691
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 27,922	\$ -	\$ 7,592	\$ 20,330
Due to other governmental units	2,709	375,158	375,506	2,361
Total liabilities	\$ 30,631	\$ 375,158	\$ 383,098	\$ 22,691

# VILLAGE OF NORTH BRANCH

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### 1995 Lapeer County Water System Bonds

Issue dated April 1, 1995 in the amount of \$ 660,000

Less: Principal paid in prior years (140,000)  
Principal paid in current year (20,000)

Balance payable at February 28, 2006 \$ 500,000

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal</u>		<u>Total Annual Requirement</u>
		<u>5/1</u>	<u>11/1</u>	<u>11/1</u>		
2007	5.300%	\$ 14,808	\$ 14,807	\$ 20,000	\$	49,615
2008	5.400%	14,278	14,277	25,000		53,555
2009	5.550%	13,603	13,602	25,000		52,205
2010	5.70%	12,909	12,909	25,000		50,818
2011	5.80%	12,196	12,196	30,000		54,392
2012	5.90%	11,326	11,326	35,000		57,652
2013	6.00%	10,294	10,294	35,000		55,588
2014	6.00%	9,244	9,244	35,000		53,488
2015	6.00%	8,194	8,194	40,000		56,388
2016	6.05%	6,994	6,994	40,000		53,988
2017	6.05%	5,784	5,784	45,000		56,568
2018	6.10%	4,423	4,422	45,000		53,845
2019	6.10%	3,050	3,050	50,000		56,100
2020	6.10%	1,525	1,525	50,000		53,050
		<u>\$ 128,628</u>	<u>\$ 128,624</u>	<u>\$ 500,000</u>	<u>\$</u>	<u>757,252</u>

# VILLAGE OF NORTH BRANCH

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## BUSINESS-TYPE ACTIVITIES

### SCHEDULE OF INDEBTEDNESS

February 28, 2006

#### 2002 Water Supply System Revenue Bonds

Issue dated September 26, 2002 in the amount of      \$    1,144,592

Less:                      Principal paid in prior years                      (50,000)  
                                Principal paid in current year                      (45,000)

Balance payable at February 28, 2006                      \$    1,049,592

Balance payable as follows:

<u>Year Ended</u>	<u>Rate</u>	<u>Interest Due</u>		<u>Principal</u>		<u>Total Annual Requirement</u>
		<u>4/1</u>	<u>10/1</u>	<u>10/1</u>		
2007	2.500%	\$    13,120	\$    13,120	\$    45,000	\$	71,240
2008	2.500%	12,557	12,557	45,000		70,114
2009	2.500%	11,995	11,995	45,000		68,990
2010	2.500%	11,432	11,432	50,000		72,864
2011	2.500%	10,807	10,807	50,000		71,614
2012	2.500%	10,182	10,182	50,000		70,364
2013	2.500%	9,557	9,557	55,000		74,114
2014	2.500%	8,870	8,870	60,000		77,740
2015	2.500%	8,120	8,120	60,000		76,240
2016	2.500%	7,370	7,370	60,000		74,740
2017	2.500%	6,620	6,620	60,000		73,240
2018	2.500%	5,870	5,870	60,000		71,740
2019	2.500%	5,120	5,120	65,000		75,240
2020	2.500%	4,307	4,307	65,000		73,614
2021	2.500%	3,495	3,495	65,000		71,990
2022	2.500%	2,682	2,682	70,000		75,364
2023	2.500%	1,807	1,807	70,000		73,614
2024	2.500%	932	932	74,592		76,456
		<u>\$    134,843</u>	<u>\$    134,843</u>	<u>\$    1,049,592</u>	<u>\$</u>	<u>1,319,278</u>



April 27, 2006

To the Village Council  
Village of North Branch, Michigan

We have audited the financial statements of the Village of North Branch for the year ended February 28, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Village of North Branch in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of North Branch are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2006. We noted no transactions entered into by the Village of North Branch during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.



We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATIONS REGARDING INTERNAL CONTROLS / COMPLIANCE / EFFICIENCY

Our procedures disclosed the following condition that we would like to bring to your attention:

Each payroll period, there is a transfer of cash from the General Fund to the Payroll Fund to cover the actual payroll expenses. We found that the computer calculation of the amount to be transferred each payroll period has apparently been incorrect. This miscalculation has resulted in an understatement of payroll expenditures of approximately \$6,000 per year for the last two fiscal years.

We recommend that the computer calculation of the payroll expense transfer be corrected and future transfers be adjusted accordingly.

This communication of this matter does not affect our report on the Village of North Branch's financial statements dated April 27, 2006.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants